DEC 5 1987

GA 1.13: RCED-85-95

REPORT BY THE U.S.

General Accounting Office

NOAA Is Improving Its A-76 Program To Correct Early Problems

COMPLETED

Since December 1982 the National Oceanic and Atmospheric Administration (NOAA) has been reviewing selected activities as provided by Office of Management and Budget Circular A-76, Performance of Commercial Activities, to determine whether its activities could be more economically performed by private contractors or by federal employees.

NOAA has been complying with the policy and procedures of the Circular but had problems with some of its earlier reviews because it had not fully developed a system for managing and directing the A-76 program. NOAA is improving the A-76 program by developing more detailed program procedures and providing additional training and technical assistance to those NOAA managers who supervise individual A-76 reviews.

GAO/RCED-85-95
JUNE 21, 1985

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RESOURCES, COMMUNITY,
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B-215002

Chairmen and Ranking Minority
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and Subcommittees and Selected
Members of Congress

In response to your requests, we have reviewed how the National Oceanic and Atmospheric Administration (NOAA) implemented and managed Office of Management and Budget (OMB) Circular A-76. The Circular provides that federal agencies review their activities to determine whether commercial activities[1] could be performed more economically by contract than by government employees. Your requests were concerned with NOAA's implementation of the A-76 program and its overall compliance with Circular procedures in conducting its individual A-76 reviews. This report summarizes the results of our work and provides our conclusions on the issues.

In summary, NOAA is still at a relatively early stage in the A-76 process. NOAA began its A-76 program in December 1982 and has completed only 4 of its 37 originally scheduled A-76 reviews. The entire process is not expected to be completed until October 1987. NOAA currently projects that $2.2 million in savings will be realized during fiscal year 1985 by implementing A-76 review results. Also, as a result of its A-76 program, NOAA has involuntarily separated 13 employees.

Our review showed that NOAA has been complying with the various A-76 Circular policies and procedures but had problems in some of its early reviews because it had not fully developed a system for managing and directing the A-76 process. Some employees were not adequately prepared for their A-76 duties, because initial training and written directives outlining A-76 roles and procedures were not sufficient. In addition, the direction provided to consultants who performed many of the A-76 reviews did not always clearly describe the tasks and NOAA's requirements. Further, one of the first contracts resulting

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[1]The Circular defines a "commercial activity" as one that is operated by a federal executive agency and that provides a product or service that could be obtained from the private sector.

from an A-76 review did not include a performance requirements summary that would have established an agreed upon systematic approach for reducing payments to the contractor for performance problems. NOAA has taken or is planning to take corrective action on each of these deficiencies.

IMPROVEMENTS MADE TO BETTER PREPARE A-76 PRINCIPAL REVIEWERS

We found that a number of NOAA's principal and alternate reviewers, who have responsibility for supervising individual A-76 reviews, believed that they were not fully prepared to perform their duties as A-76 reviewers. We also found that some of NOAA's A-76 review products, such as management efficiency studies and performance work statements, did not meet NOAA's expectations because instructions in contracts with consultants who performed many of NOAA's A-76 reviews were unclear or incomplete. As a result, a number of A-76 review products were delayed and had to be revised.

NOAA management personnel said that the problems they experienced with some of their A-76 reviews were a result of limitations in training received by principal reviewers and limitations in the written procedures and guidance NOAA had prepared for the A-76 program. As a result, a number of A-76 reviews were slipping beyond the estimated target dates.

NOAA has taken action to enhance the training and guidance for principal reviewers and alternates. Special training sessions and workshops tailored to the requirements of particular reviews have been initiated and will be an ongoing effort. In addition, NOAA has since improved its process by developing more detailed written procedures and increasing the number of technical assistance staff to help NOAA employees who supervise A-76 reviews. Our review of NOAA's new procedures, issued in October 1984, found that they better explained roles, responsibilities, and duties of those involved in the A-76 process. (See app. I on p. 7.)

STANDARD LANGUAGE BEING DEVELOPED FOR A-76 REVIEW CONTRACTS

NOAA has used management consultants to perform many of its A-76 reviews. According to NOAA some of the products from these reviews did not meet NOAA's expectations because the contracts did not clearly describe the tasks consultants were expected to perform during the reviews. As a result, NOAA management and procurement office staff spent considerable time with consultants settling disputes on the acceptability of their products. Standard language setting forth specific requirements for consultants would increase NOAA's assurance of getting

acceptable A-76 review products. We discussed this issue with NOAA managers who agreed that standard language could be used to a major extent. We were subsequently advised by NOAA management that "generic task orders" that would provide specific language for describing tasks were now being developed and would be used in future contracts with A-76 consultants.

NOAA DID NOT INCLUDE A PERFORMANCE REQUIREMENTS SUMMARY IN AN EARLY A-76 CONTRACT

In September 1983 NOAA awarded one of its first contracts under the A-76 program to transfer the chart distribution services it was performing to a private firm. Our review showed that this contract did not fully follow OMB's requirement for including a performance requirements summary which establishes an agreed upon basis for reducing payments to the contractor for services not performed. The chart distribution contractor's performance has been deficient in some respects, but the lack of a performance requirements summary has inhibited NOAA from reducing contract payments.

Since this contract was awarded, NOAA established a requirement that performance requirements summaries be included in contracts resulting from A-76 reviews. NOAA advised us that a summary will be added to the contract for chart distribution services when it is renewed in May 1986.

A-76 BUDGET SAVINGS AND PERSONNEL IMPACTS

NOAA had originally estimated budget savings of $6.1 million for fiscal year 1985 as a result of its A-76 program and implementation of A-76 review results. Because reviews were not completed as soon as expected, NOAA developed a revised saving estimate for fiscal year 1985 of about $2.2 million as follows.

Source of saving	FY 1985 savings
Completed studies	$ 607,000
Studies to be completed in fiscal year 1985	602,000
Implementation of management efficiencies for government functions identified in A-76 management efficiency studies	959,000
Total	$2,168,000

III

NOAA's four completed reviews affected 123 employees most of whom were either reassigned to other positions within NOAA or hired by a contractor taking over the function. However, 13 employees had to be involuntarily separated from the agency because there were no positions available for which they qualified. (App. I provides additional information on these topics.)

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objective was to assess NOAA's implementation and management of its A-76 program. We reviewed NOAA's system for directing the A-76 review process and analyzed phases of 13 of 37 A-76 reviews NOAA had scheduled in 1983. The 13 reviews we selected for analysis were based on those (1) in which congressional interest had been expressed, (2) which involved larger NOAA units, and (3) which were closest to completion. We also selected reviews that included several of NOAA's major components. Although our study sample was not randomly determined, we believe that the sample represented a fair cross section considering the above noted criteria. Appendix II shows the 37 activities NOAA scheduled for review, those we reviewed, and the status of the reviews based on NOAA's computerized tracking system.

To obtain an understanding of OMB Circular A-76 policy, we reviewed the Circular guidance and NOAA directives on its A-76 program and met with OMB officials responsible for A-76 policy. We discussed NOAA's A-76 program with various NOAA officials and managers to obtain their views and opinions on NOAA's management and operation. We also interviewed 21 principal reviewers and alternates to obtain their views on the adequacy of A-76 training, written procedures, and consultants' work. To evaluate the clarity of task order work statements for consultant-performed A-76 reviews, we met with NOAA's A-76 program analyst and procurement officials and examined A-76 review products and related contract documents. We also evaluated the administration of a contract for chart distribution services, the first contract resulting from NOAA's A-76 program, and discussed the contractor's performance with NOAA procurement officials and officials responsible for chart distribution.

To obtain a perspective on the impact of NOAA's A-76 program, we interviewed appropriate budget and personnel officials to obtain information on NOAA's projected budget savings and on the NOAA employees affected by A-76 decisions.

The audit work on this assignment was done between January and October 1984 in accordance with generally accepted government auditing standards. The views of directly responsible officials were sought during the course of our work and are incorporated where appropriate. However, at your request, we

did not request NOAA to review and comment officially on a draft of this report.

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As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time we will send copies to the appropriate House and Senate committees, Members of Congress, the heads of departments and agencies, and other interested parties.

Ralph Carlone for

J. Dexter Peach
Director

IV

Requestors of Review of the National Oceanic and Atmospheric Administration's Implementation of Office of Management and Budget Circular A-76

The Honorable Jack Brooks
Chairman, Committee on
Government Operations
House of Representatives

The Honorable Walter B. Jones
Chairman, Committee on Merchant
Marine and Fisheries
House of Representatives

The Honorable Norman Lent
Ranking Minority Member
Committee on Merchant Marine
and Fisheries
House of Representatives

The Honorable Barbara A. Mikulski
Chairwoman, Subcomittee on
Oceanography
Committee on Merchant Marine and
Fisheries
House of Representatives

The Honorable Norman D. Shumway
Ranking Minority Member
Subcommittee on Oceanography
Committee on Merchant Marine
and Fisheries
House of Representatives

The Honorable Gary L. Ackerman
Chairman, Subcommittee on
Human Resources
Committee on Post Office and
Civil Service
House of Representatives

The Honorable James H. Scheuer
Chairman, Subcommittee on Natural
  Resources, Agriculture
  Research and Environment
Committee on Science and
  Technology
House of Representatives

The Honorable Ernest F. Hollings
Ranking Minority Member
Committee on Commerce, Science,
  and Transportation
United States Senate

The Honorable Lloyd Bentsen
United States Senate

The Honorable Rudy Boschwitz
United States Senate

The Honorable William S. Cohen
United States Senate

The Honorable Thomas F. Eagleton
United States Senate

The Honorable Daniel J. Evans
United States Senate

The Honorable Wendell H. Ford
United States Senate

The Honorable Mark O. Hatfield
United States Senate

The Honorable Daniel K. Inouye
United States Senate

The Honorable J. Bennett Johnston
United States Senate

The Honorable Edward M. Kennedy
United States Senate

The Honorable Russell B. Long
United States Senate

The Honorable Claiborne Pell
United States Senate

The Honorable Larry Pressler
United States Senate

The Honorable Donald W. Riegle, Jr.
United States Senate

The Honorable Jim Sasser
United States Senate

The Honorable John C. Stennis
United States Senate

The Honorable Ted Stevens
United States Senate

The Honorable Lowell P. Weicker, Jr.
United States Senate

The Honorable Gerry E. Studds
House of Representatives

The Honorable G. William Whitehurst
House of Representatives

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NOAA'S IMPLEMENTATION AND EXPERIENCE WITH ITS A-76 PROGRAM

In December 1982 the National Oceanic and Atmospheric Administration (NOAA) undertook a major initiative in response to the policy guidance provided by Office of Management and Budget (OMB) Circular A-76, Performance of Commercial Activities. At the request of several Chairmen, Ranking Minority Members, other Members of certain Committees and Subcommittees, and individual Members of Congress, we reviewed NOAA's efforts to implement and conduct its A-76 program. As a result of our review, we found that NOAA has been complying with the policies and procedures provided by the Circular. We did, however, identify areas where improvements can be made. NOAA has begun to make these improvements. The following summarizes this information and provides our conclusions on the issues.

OMB CIRCULAR A-76 PROCEDURES

OMB Circular A-76, revised August 4, 1983, establishes the federal government's policy for conducting "commercial activities" similar to work done in the private sector. The Circular states that the federal government should rely on the private sector to provide such products or services. Within NOAA such activities include selected elements of nautical and aeronautical chart preparation and distribution, marine center operations, and administrative services and support. The Circular allows exceptions to this policy when private sources are not available or when federal employees can provide the products or services more economically. The Circular established a target date of September 30, 1987, for agencies to complete initial A-76 reviews of all their commercial activities.

The Circular states that each federal agency should designate high-level officials (assistant secretary or equivalent) to have overall responsibility for implementing and managing its A-76 program. It also recommends that agencies establish appropriate systems to properly direct and monitor the day-to-day progress of the program and the individual A-76 reviews that are to be conducted.

The Circular describes how federal agencies should determine whether their activities should be done by the private sector or government employees. First, federal agencies should evaluate their activities to determine which are not suitable for contracting out and which could be done by the private sector. The Circular states that after evaluating its

activities, a federal agency should prepare an inventory of all of the activities that could be done by the private sector and then compare how much it costs the government to do the work and how much it would cost to buy the services from the private sector. These reviews consist of four phases--a management efficiency study, a performance work statement, contractor proposals and the government's cost estimate, and a cost comparison.

The management efficiency study should determine the most efficient and least costly way the government can continue to perform an activity and is the basis for the government's cost estimate. The performance work statement describes what the activity produces along with what will be considered acceptable work. The government then prepares a contract proposal and solicits bids from the private sector. Both the government's "bid" (or cost estimate) and contractor bids are based on the requirements specified in the performance work statement in the contract proposal. The contractor with the lowest priced, technically acceptable bid is selected for the cost comparison with the government's bid. The Circular states that the activity should be contracted out if contractor's costs are less than the total government costs by 10 percent of government personnel costs.

In a September 1984 memorandum, OMB modified and expanded the scope of the Circular. The memorandum stated that productivity enhancement has not always been recognized as a major A-76 policy objective. As a result, to enhance the productivity of government operations, OMB is changing the way the Circular is implemented. In this regard OMB has asked agencies to

--revise their inventories to include governmental and commercial activities from 14 general categories, including such activities as automated data processing, training, architecture and civil engineering, warehousing, etc;

--increase the emphasis on developing performance work statements, conducting thorough management reviews, and using productivity measurements;

--solicit bids from other government agencies for the performance of activities to see if another agency could perform the activity at a lower cost;

--specify the number of people and amount of training needed to complete reviews listed on the revised inventory.

OMB stated that if agencies have activities other than those in the 14 categories that offer significant opportunities for savings or have effective review efforts underway, then those activities may be included on the revised inventory.

NOAA IS COMPLYING WITH OMB CIRCULAR A-76

While NOAA had problems with the quality of some of its early A-76 reviews, it has followed the various policies and procedures set forth in OMB Circular A-76. NOAA's Associate Administrator was designated as the responsible NOAA official having overall responsibility for implementing and managing the program. Management and operational procedures have been established to provide the overall guidance for the program and conducting individual A-76 reviews. In October 1984 these procedures were significantly expanded to provide greater guidance to all personnel involved in the program. Various NOAA officials and managers have been assigned duties and responsibilities to either manage or conduct program tasks. A principal reviewer and an alternate principal reviewer, selected from among NOAA employees, were designated to supervise each A-76 review. A principal reviewer is responsible for overall planning and oversight of an individual A-76 review. In this capacity the reviewer plans the review and establishes target dates, subject to top management approval, monitors the review's progress, and determines the acceptability of review products.

An A-76 program analyst was also designated to serve in an advisory and review capacity to assist principal reviewers and to help top management better manage and control the program. An A-76 contracting office staff was established and headed by the Chief of the Special Projects Branch, Procurement and Grants Division. The contracting office staff has served to assist in contracts with consultants performing A-76 reviews and in a normal contracting role for contracts for services with the private sector.

To initiate its program NOAA management surveyed the agency and identified 37 commercial activities for its A-76 inventory. Because of limited in-house staff resources and its limited familiarity with the A-76 review process, NOAA management decided to use management consultants to conduct A-76 reviews for 23 of its 37 activities on the inventory. In-house review teams were used to conduct reviews of the remaining activities. Principal reviewers from within NOAA were in charge of both the in-house and contracted reviews.

We found that NOAA was conducting their A-76 reviews according to the review phases established in the A-76 Circular.

NOAA followed the process of conducting its management efficiency study[1] as the first task, followed by the performance work statement and in-house cost and cost comparison phases.

In September 1984 when OMB expanded the interpretation of the A-76 Circular to enhance the productivity of government operations, NOAA complied with the OMB memorandum and identified 19 additional activities for review and expanded the studies for 2 activities already on its inventory. NOAA management advised us that these additional activities scheduled for A-76 reviews were placed in the Federal Register in May 1985, as required by the Circular.

The following sections point out the problems NOAA has experienced and the actions NOAA management has taken to correct them.

NOAA HAS MADE IMPROVEMENTS TO BETTER PREPARE ITS A-76 PRINCIPAL REVIEWERS

When NOAA began its A-76 reviews, it had not established a system to adequately train its principal and alternate principal reviewers and did not have sufficient written guidance and procedures to enable principals and alternates to fully understand their duties and responsibilities as A-76 reviewers. As a result, NOAA had problems obtaining acceptable A-76 review products, such as management efficiency studies and performance work statements, for a number of its A-76 reviews. Our interviews with principal and alternate reviewers who managed 11 of NOAA's A-76 reviews revealed concerns about their preparation for assuming their duties on A-76 reviews and about the NOAA written procedures available to them.

NOAA management and its A-76 program analyst have acknowledged that limited training of some of its principal reviewers and insufficient written guidance and procedures on NOAA's A-76 program contributed to the problems NOAA was having with some of the A-76 review products.

NOAA has taken action to better prepare and assist its principal and alternate reviewers by conducting special training

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[1]NOAA's management efficiency studies included organizational components of activities that were not commercial or suitable for contractor performance in order to identify management efficiencies that could be implemented.

sessions and workshops and has significantly improved its written guidance and procedures. In addition, NOAA has provided additional technical assistance staff who will now be able to work more closely with principal and alternate reviewers as well as A-76 review teams.

Improving guidance for A-76 review leaders

When it began its current A-76 program, NOAA set up a 4-day training course on A-76 review objectives and methods. In addition, some training on these subjects was available from other federal agencies and private sector sources. In September 1983 NOAA also revised its earlier 1981 directive on performing A-76 reviews in order to provide additional direction for its program.

We interviewed 21 principal and alternative principal reviewers assigned to 11 of NOAA's 37 A-76 reviews and found that almost 40 percent believed that the training they received and the written procedures available to them were inadequate to properly prepare them for their duties and responsibilities as A-76 reviewers. Four reviewers had not taken any A-76 training. More than one-third of those interviewed believed that the training and written procedures were less than adequate for writing task order work statements (contract documents that specify what the consultants who perform A-76 review tasks are to do) for the management efficiency study and the performance work statement phases of an A-76 review, as well as, for evaluating the resulting review products.

When preparing its fiscal year 1985 budget, NOAA estimated that it would complete 32 A-76 reviews by September 1984. As of March 1985 it had completed only four. Unrealistic expectations about the length of reviews may have contributed to this shortfall, but problems with managing the reviews were also a factor.

In performing his duties as an A-76 reviewer and an advisor to top management, NOAA's A-76 program analyst identified problems with a number of performance work statements that principal reviewers had found acceptable. As a result, some work statements had to be revised thereby delaying the reviews by several months. For example,

--A performance work statement for a National Weather Service activity originally estimated to take about 5 weeks took almost 6 months to complete. Although the principal reviewer had approved the consultant's performance work statement and approved final payment, the A-76 program analyst found the performance work statement

unacceptable because it did not clearly describe the work to be performed as provided by OMB Pamphlet No. 4 "A Guide For Writing and Administering Performance Statements of Work For Service Contracts." As a result, the the contract performance work statement had to be revised, and the consultant received an additional $6,800 to complete the work.

--A performance work statement for a National Environmental Satellite, Data, and Information Service activity originally planned to take 3 months had to be revised eight times and took over 9 months to complete. The A-76 program analyst rejected the performance work statement because services were not described in terms of output as provided by OMB Pamphlet No. 4.

The program analyst told us that limited experience and insufficient training of principal and alternate reviewers contributed to the problems NOAA experienced with A-76 review products, including management efficiency studies and performance work statements.

Recognizing the limitations in training of some principal reviewers, NOAA began to take certain actions in early 1984 to bolster training of principal and alternate reviewers and others involved in the A-76 program. A number of group training sessions and workshops have been held to provide both refresher and more specialized training for particular phases of an A-76 review. In October 1984 NOAA also provided additional full-time technical assistance staff to assist principal reviewers. Each staff will specialize in a NOAA program area and a phase of the A-76 review process, such as the National Marine Fisheries Service and the management efficiency study phase. Further plans, according to the program analyst, include specific training sessions conducted by NOAA's technical assistance staff for principal and alternate reviewers and team members of individual studies. This training will be provided to reviewers when they start a review and will be tailored to the particular requirements of the review. These sessions are now planned to begin in the summer of 1985 and are to be an ongoing effort as phases of A-76 reviews are initiated.

NOAA management also recognized that more specific and detailed information was needed to provide sufficient direction to those involved in the A-76 program and acknowledged that the limitations in NOAA's written guidance contributed to some of the problems it had with some of the A-76 reviews. As a result, NOAA began efforts in mid-fiscal year 1984 to develop comprehensive written guidance for its program. In the spring of 1984

draft material was distributed for comments and subsequently issued in final on October 3, 1984.

We reviewed the new directive and compared it with NOAA's prior guidance and found it to provide considerably more information on how NOAA wanted its A-76 program conducted. The new directive better explains roles, responsibilities, and duties of those involved with the program and provides more description of the content and format requirements for the management efficiency study, the performance work statement, and the cost comparison phases of an A-76 review.

Conclusion

When NOAA initiated its A-76 program, it did not provide enough training for all principal and alternate reviewers to fully understand and perform their duties. In addition, NOAA's written procedures and guidance for its A-76 program did not provide the level of specificity and direction needed for A-76 reviewers. These limitations became apparent to NOAA when problems started surfacing with the timely completion and quality of some of its A-76 review products. As a result, NOAA has taken action to address these limitations, including special training sessions and workshops, more comprehensive written guidance and procedures, and additional technical assistance staff to work more closely with principal reviewers and alternates. We believe that these actions could be a major improvement in NOAA's efforts to better manage and control its A-76 program, if properly implemented.

NOAA IS DEVELOPING STANDARD LANGUAGE FOR ITS A-76 REVIEW CONTRACTS

Some A-76 review products did not meet NOAA's expectations because NOAA's A-76 review contracts did not clearly describe the tasks management consultants were expected to perform during the reviews. As a result, NOAA management and procurement office staff spent considerable time with consultants settling disputes on the acceptability of their products. NOAA has recognized that A-76 review tasks were not always clearly described for consultants in the contracts task order work statement and is in the process of including more specific instructions in future contracts for conducting A-76 reviews. We believe that these efforts to provide more specific direction could provide a major improvement in NOAA's overall management and control of its A-76 reviews performed by consultants, as well as direction to in-house A-76 review teams.

NOAA's Associate Administrator decided to use management consultants to conduct 23 of its 37 A-76 reviews. Principal reviewers are responsible for specifying what the consultants are to do in task order work statements and evaluating their work.

From our discussions with principal reviewers and other NOAA A-76 program officials, we learned that a number of review tasks performed by consultants were incomplete or unsatisfactory. For example, some management efficiency studies did not contain adequate analysis to support the recommended staffing levels and did not adequately respond to NOAA comments on draft management efficiency studies.

We reviewed task order work statements for six reviews to determine whether they were specific about what the consultant was to do. We found that two of the work statements were unclear on some of the tasks the contractors were required to do.

For one work statement for a management efficiency study of one of the National Ocean Service's Marine Centers, the principal and alternate reviewers believed that the final product was not well done because NOAA comments were not addressed in the final study. NOAA's comments dealt with factual inaccuracies, weak or confusing analysis, and resulting recommendations in the draft final report prepared by the contractor. However, the task order work statement did not specifically require the consultant to address all of NOAA's comments. The consultant's proposal, which becomes part of the contract, specifically stated that "we will document changes we believe are warranted in the knowledge that NOAA views may differ from ours."

NOAA's A-76 program analyst also reviewed this management efficiency study and provided the following information to NOAA's Associate Administrator.

> "Generally, I don't think reductions in FTEs [full-time equivalent employees] are supported by the type of workload analyses to support recommended reductions. I have trouble following through the MES [management efficiency study] to arrive at the recommendations proposed. I think NOS [National Ocean Survey] management will have the same problem. Because of Congressional concern for these activities, we should be able to clearly demonstrate that the MEO [most efficient organization] that will be approved can perform these functions without any degradation of service or impact

on program missions. I don't think this MES does that."

NOAA subsequently met with and provided 52 pages of additional comments to the consultant to resolve these issues. Three weeks later the consultant submitted a final report that contained many of the same problems that had been identified in the draft study and brought to the consultant's attention. As a result, NOAA withheld payment to the consultant. Four months later the consultant submitted a revised final report that was acceptable to NOAA management.

As another example, a task order work statement proposed by a principal reviewer for a performance work statement and government cost estimate for a Marine Center review contained unclear language. Specifically, the draft task order did not clearly establish the consultant's role or responsibilities in the government's cost estimate task. Instead, it stated that the consultant will "assist NOAA in preparing the government's estimate of costs," without describing the nature of the assistance or specific tasks NOAA expected the consultant to perform. The A-76 program analyst subsequently reviewed the task order and made appropriate changes. The task order, in addition to other changes, now states that, "the contractor shall prepare the governments estimate of cost to perform the activities specified in the performance work statement."

During our discussions of these problems with both the A-76 program analyst and the Chief of the Special Projects Branch, Procurement and Grants Division, they acknowledged that problems occurred in some reviews because NOAA had not clearly specified what consultants were expected to do. According to the Chief, because a number of task order work statements were not specific, the procurement staff spent a considerable amount of time meeting with government and contractor personnel to settle disputes and determine what additional work was necessary to obtain acceptable A-76 review products.

The program analyst and the Special Projects Chief described actions that had been taken to make future task order work statements more specific. In a November 27, 1984, memorandum, the Chief said that all task order work statements should include certain mandatory requirements from NOAA's October 1984 A-76 directive and OMB's Pamphlet No. 4.[2] For example, the

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[2]OMB Pamphlet No. 4, "A Guide for Writing and Administering Performance Work Statements for Service Contracts" is a supplement to the A-76 Circular.

Chief recommended that the following language be included in task order work statements for management efficiency studies:

> "The Contractor shall perform the Management Efficiency Study in strict accordance with the guidelines prescribed in Section 4, Management Study Guidelines, of the Supplement to NDM 36-16 Performance of Commercial Activities. [NOAA's October 1984 A-76 Directive] The documentation specified in paragraph 4-4 shall be provided with supporting justification and rationale as prescribed therein. The workload analysis required in subparagraph 4-3.c. shall be a job analysis as described in Chapter 2 of OFPP [Office of Federal Procurement Policy] Pamphlet No. 4, A Guide for Writing and Administering Performance Statements of Work for Service Contracts."

We believe that the inclusion of such language will have a positive impact on the clarity of work statements by citing criteria. We also believe that further steps could be taken to better assure that NOAA and a prospective contractor know what is expected in each A-76 review phase.

During our review we asked the program analyst whether standardized task order work statements could be developed for each of the review phases. Because the work required during each phase of an A-76 review is similar, he said that for reviews that have not yet started, it may be possible to provide standard language for about 75 percent of the task order work statements.

Subsequent to our audit work, we were informed by NOAA's program analyst that actions are underway to develop and implement "generic task orders" for the management efficiency study and the performance work statement phases of an A-76 review that will include specific standard language to more fully describe the tasks and requirements in contracts with A-76 consultants. According to the program analyst, these generic task orders will also be used to improve direction to in-house A-76 review teams that are expected to be used to a greater extent in upcoming A-76 reviews.

Conclusions

NOAA management recognizes the need for clear and complete instructions in statements of work in contracts with consultants to conduct A-76 reviews. Two of NOAA's principal management advisors--the A-76 program analyst and the Chief of the Special Projects Branch--have acknowledged that problems occurred in a number of A-76 reviews because NOAA did not clearly describe

A-76 tasks to consultants. Subsequently, NOAA has been taking steps to improve the language in statements of work for A-76 reviews, including the development of generic task orders for management efficiency studies and performance work statements. We believe that these actions could be a step toward improving the management of NOAA A-76 reviews performed by either consultants or in-house review teams.

NOAA'S CHART DISTRIBUTION CONTRACT DOES NOT FACILITATE PAYMENT DEDUCTIONS FOR UNSATISFACTORY CONTRACTOR PERFORMANCE

NOAA did not follow OMB guidance on how to deduct payments to contractors for nonperformance on one of the first contracts it awarded during its current A-76 initiative. Specifically, NOAA did not include a performance requirements summary in its solicitation and contract for National Ocean Service chart distribution services. A performance requirements summary describes performance standards, methods for monitoring contractor adherence to standards, the maximum deviation allowed from each standard before reducing payments for services not performed, and the percentage reduction in the contract price for exceeding each maximum allowable deviation. Rather than a performance requirements summary, the contract contains a provision that NOAA can deduct the actual amount of damages caused by defective performance. This contractor, according to NOAA officials, had been chronically late in filling chart orders but NOAA did not reduce its payments because the actual damages could not be readily identified. (App. III contains an example of a performance requirements summary.)

Beginning in January 1982 OMB required that a performance requirements summary be included in A-76 performance work statements. The performance requirements summary establishes reasonable amounts that may be deducted for the defective performance of individual services so that the sometimes difficult job of calculating actual monetary damages is avoided. OMB also required that A-76 work statements that were in process be rewritten, provided sufficient time was available prior to deadlines for submitting the government's cost estimate and contractor proposals. NOAA completed its performance work statement for chart distribution services in November 1981 but did not revise the statement even though the government's cost estimate and contractor proposals were not compared until October 1982. The Chief of the Special Projects Branch told us that the 1982 solicitation should have included a performance requirements summary.

The lack of a performance requirements summary made it difficult to reduce payments to the contractor for performance

problems. According to NOAA's chart distribution contract monitor, the NOAA employee who helps the procurement office evaluate the contractor's technical performance, the contractor has not complied with a contract requirement that orders for charts be filled within 5 days of receipt. The contract monitor said that for most days for which records were kept between October 1984, soon after the contractor assumed full responsibility for operations, through April 1985, the contractor did not meet the 5-day standard. According to the contract monitor, NOAA had not reduced its payments to the contractor for these late deliveries because the dollar value of the substandard performance is not readily calculable. The contract monitor said, however, that some improvement in contractor performance has occurred recently, but the contract monitor believes that improvements might have been made sooner if NOAA had been able to exert the leverage a performance requirements summary provides.

We have discussed the performance requirements summary requirement with NOAA's Special Projects Chief, Procurement and Grants Division. The Chief said that a performance requirements summary would be included in any contract for chart distribution when the current contract expires.

EFFECTS OF NOAA'S A-76 PROGRAM-- BUDGET SAVINGS AND PERSONNEL IMPACTS

As of March 1985 NOAA estimated budget savings for fiscal year 1985 from its A-76 program to be $2.2 million. Its estimate is based on savings from three completed A-76 reviews, anticipated completion in fiscal year 1985 of 20 other reviews, and the adoption of savings recommendations made in reviews which NOAA decided not to pursue to the cost comparison phase. As a result of four completed A-76 reviews that affected 123 employees, 13 employees were involuntarily separated from the agency because other positions for which they would qualify could not be found.

Estimated A-76 budget savings for fiscal year 1985 may not be realized

In NOAA's fiscal year 1985 budget submission to the Congress, it was estimated[3] that it would save $6.1 million

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[3]Estimates were based on an OMB approved formula using average savings produced by past A-76 reviews governmentwide. The estimates assumed that NOAA would complete 32 reviews by September 1984.

that year as a result of A-76 reviews and requested corresponding cuts in its budget. The Congress approved cuts of only $3.1 million. According to NOAA, even these reduced savings may not be realized in fiscal year 1985 because the reviews are behind schedule. According to NOAA budget officials, as of March 1985, NOAA had identified sources for only about $2.2 million of the $3.1 million as follows:

Source of savings	Fiscal year 1985 savings
Completed studies[a]	$ 607,000
Reviews to be completed in fiscal year 1985	602,000
Reviews not to be pursued to completion	959,000
Total	$2,168,000

[a]Projected savings of $1.4 million for National Ocean Service chart distribution services were not included because these activities are funded through a trust fund capitalized by fees from chart sales rather than appropriated funds.

As of March 1985 NOAA had completed three A-76 reviews which it expected to produce savings of $607,000 in fiscal year 1985.[4]

--$21,000 savings by having a contractor perform the activities of NOAA's Imagery Processing Lab which provides film processing services to NOAA's National Ocean Services.

--$344,000 savings by having a contractor perform the activities of NOAA's Kansas City Logistics Supply Center which provides inventory and equipment for NOAA headquarters and field offices.

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[4]NOAA expected total annual recurring savings of $853,000 from these reviews, but since two were completed after the start of fiscal year 1985, full annual savings will not be achieved this year.

--$242,000 savings from more efficient government performance of NOAA's Metro Support Services Branch which provides administrative support functions for NOAA headquarters offices. (The cost comparison phase of the Branch's A-76 review showed that continued government operation of the Branch at the lower cost recommended by the review was cheaper than contractor bids.)

NOAA has projected additional savings of $602,000 from completing another 20 A-76 reviews in fiscal year 1985. However, because these reviews are behind schedule, projected savings may not be realized.

In addition, NOAA has projected savings of $959,000 by eliminating 82 federal positions in functions at the National Ocean Service's Atlantic Marine Center and its Marine and Aeronautical Chart Branches, which will not be cost compared with the private sector. NOAA did management efficiency studies of these facilities but decided not to solicit contractor bids for all the activities these facilities perform. According to a NOAA official who manages the agency's A-76 program, NOAA wanted to test the private sector's ability to perform certain functions at these facilities before soliciting bids for the entire operations. However, during the test period NOAA will implement some of the recommendations made in management efficiency studies to achieve immediate savings. As of March 1985 NOAA expected to achieve most of the savings by eliminating vacant positions.

Efforts to assist affected employees

As a result of four completed A-76 reviews, 123 NOAA employees were affected. NOAA developed a mechanism for assisting employees. Most of these were reassigned within NOAA, retired or resigned, or were hired by the contractor taking over the activity. However, only 13 of these employees were involuntarily separated from federal service, because positions for which they could qualify were not available.

The OMB A-76 circular states that agencies should exert maximum effort to find positions for employees released from their jobs as a result of A-76 reviews. The Circular states that agencies should

--give employees displaced by A-76 reviews priority consideration for available positions in the agency,

--establish a reemployment priority list which entitles employees who are to be separated or have been separated to be reinstated before new appointments or transfers from other agencies can be made,

--pay reasonable costs for training and relocation,

--coordinate with Office of Personnel Management and Department of Labor for access to other employment opportunities,

--advise affected employees that for those positions for which they are qualified they have the right of first refusal for employment with the contractor who will assume responsibility for the activity.

NOAA's five Administrative Support Center Personnel Divisions were assigned responsibility for assisting affected employees in their jurisdictional areas and took appropriate action. In addition to preparing reduction-in-force letters, these divisions determined if employees losing their positions were entitled to priority consideration for other NOAA positions, as well as advising them of their first refusal rights for jobs with contractors. These divisions also established reemployment priority lists and coordinated with the Office of Personnel Management and Department of Labor for access to other employment opportunities.

According to NOAA personnel officials, of the 123 employees affected by the A-76 reviews only 13 had to be involuntarily separated from federal service. We were also advised that of the 13 employees who had to be involuntarily separated only 2 requested registration in both the Department of Commerce and Office of Personnel Management placement programs. The remainder registered in Office of Personnel Management placement programs but not in the Department of Commerce program. All employees were advised of the Commerce program but did not show interest in being registered. Appendix IV provides the status of NOAA employees affected by completed A-76 reviews as of March 1985.

STATUS OF NOAA'S A-76 REVIEWS AS OF MARCH 1985

Item	Activity[a]	Organization[b]	Phase of review[c]	Estimated review completion date
* 1	Engineering Activities	NWS	MES	12/85
* 2	Test and Evaluation Division	NWS	Cost comparison	05/85
3	Weather Chart Reproduction	NWS	RFP	05/85
* 4	Communications Operations Branch	NWS	Cost comparison	04/85
5	Overseas Logistics Operations	NWS	RFP	05/85
6	Washington Area Technicians	NWS	MES	06/85
7	Dulles Airport Observations	NWS	Not started	06/85
8	Alaska Activities	NWS	MES	11/85
9	Hawaii Activities	NWS	MES	09/85
10	New York Airport Observations	NWS	Not started	06/85
11	Los Angeles Airport Observations	NWS	Not started	09/85
12	Geodetic Activities	NOS	MES	11/85
*13	Aeronautical Chart Branch	NOS	PWS	12/85
*14	Marine Chart Branch	NOS	PWS	12/85
15	Tides and Water Level Branch	NOS	Cancelled	
16	Circulation Surveys	NOS	Cancelled	
*17	Atlantic Marine Center	NOS	PWS	12/85
18	Imagery Processing Laboratory	NOS	Completed	09/84
*19	Library & Information Services	NESDIS	RFP	06/85
20	National Oceanographic Data Center ADP Operations	NESDIS	Cost comparison	05/85
*21	National Climatic Data Center ADP Operations	NESDIS	Cost comparison	05/85
22	National Geophysical Data Center ADP Operations	NESDIS	Cancelled	
23	Northwest and Alaska Center Operations	NMFS	Not started	08/86
24	Southeast Center Activities	NMFS	PWS	10/85
25	Northeast Center Activities	NMFS	Not started	08/86
*26	Southwest Center Activities	NMFS	MES	04/86
27	Geophysical Fluid Dynamics Laboratory Computer Activities	OAR	MES	12/85

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*28	Logistic Supply Center	NOAA	Completed	04/84
*29	Metro Support Services	NOAA	Completed	10/84
30	Library Services	MASC	MES	09/85
31	Supply Services	MASC	PWS	09/85
32	Supply Activities	WASC	MES	05/85
*33	Pacific Marine Center	NOS	MES	12/85
34	Meteorological Center Computer Operations	NWS	Not started	01/86
35	O'Hare Airport Observations	NWS	Not started	09/85
36	Central Computer Operations	ATS	Combined with #34	
*37	Chart Distribution	NOS	Completed	08/83

*A-76 reviews GAO studied.

[a]Activities NOAA scheduled for A-76 reviews in February 1983.

[b]National Weather Service (NWS)
National Ocean Service (NOS)
National Environmental Satellite Data Information Service (NESDIS)
National Marine Fisheries Service (NMFS)
Office of Oceanic and Atmospheric Research (OAR)
Mountain Administrative Support Center (MASC)
Western Administrative Support Center (WASC)
Administrative and Technical Services (ATS)

[c]NOAA conducts the management efficiency study (MES) before preparing the performance work statement (PWS). Once the PWS is complete, NOAA requests commercial proposals (RFP) and prepares the government's cost estimate based on the work described in the PWS. NOAA selects the contractor with the best technical proposal and bid and compares the contractor's bid with the government's cost estimate (cost comparison). NOAA awards a contract or continues to perform the work with government employees (completed).

APPENDIX II

EXAMPLE OF A PERFORMANCE REQUIREMENTS SUMMARY

REQUIRED SERVICE	STANDARD	MAXIMUM ALLOWABLE DEGREE OF DEVIATION FROM REQUIREMENT (AQL)	METHOD OF SURVEILLANCE	DEDUCTION FROM CONTRACT PRICE FOR EXCEEDING THE AQL
Arrange for timely servicing of office property	Servicing must be scheduled within 5 working days of request	4%	Random sampling	3.0%
Provide for quality servicing of office property	Office property must be serviced according to job specification	6.5%	Validated user complaint	.5%
Order accountable personal property in a timely manner	Property Purchase orders must be sent for processing within 24 hour's of request	2.5%	Random sampling	6.0%
Provide accurate inventory listing updates	Inventory listing updates added to the master property data base system must be accurate	1%	Random sampling	8.0%
Reserve vehicles in a timely manner	Vehicle reservations must be confirmed/ denied with 4 hours of request	6.5%	Random sampling	.5%

Source: Metro Support Services Branch solicitation.

APPENDIX III

ACTIONS TAKEN REGARDING NOAA EMPLOYEES AFFECTED BY COMPLETED A-76 REVIEWS

Action taken	Chart Distribution Branch	NOAA Logistics Supply Center	Imagery Processing Laboratory	Metro Support Services	Total
Reassigned within NOAA	39	9	3	26	77
Retired or resigned	7	1	3	5	16
Hired by contractor taking over activity	-	10	-	-	10
Separated from NOAA[a]	12	1	-	-	13
Temporary employees[b]	-	7	-	-	7
Total affected[c]	58	28	6	31	123

[a]NOAA assisted these employees by advising them of the Department of Commerce and Office of Personnel Management personnel placement programs and inquiring about vacancies at other federal agences for which NOAA employees may be qualified.

[b]Not entitled to any placement benefits.

[c]Total includes not only those in the A-76 review activity that were affected but other employees who were bumped because review activity employees had higher priority employment rights.

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